

Press Conference Background
Gazprom in Eastern Russia, Entry into Asia-Pacific Markets
(June 14, 2016)

Gazprom continues to implement projects under the Development Program for an integrated gas production, transportation and supply system in Eastern Siberia and the Far East, taking into account potential gas exports to China and other Asia-Pacific countries (Eastern Gas Program).

Resource base development

At present, Gazprom is engaged in geological exploration offshore Sakhalin Island, in the Republic of Sakha (Yakutia), Krasnoyarsk Territory, Irkutsk Region, and Kamchatka Territory.

As part of the Sakhalin III project, geological exploration has been completed within the boundaries of the Yuzhno-Kirinskoye field and is ongoing in the Vostochno-Odoptinsky and Ayashsky blocks.

With geological exploration at the Chayandinskoye field in Yakutia nearly over, the field is ready for development; its oil rim will be explored further. 3D seismic surveys are underway at the Verkhnevilyuchansky, Tas-Yuryakhsky, Sobolokh-Nedzhelinsky, and Srednetnyungsky licensed blocks.

Geological exploration continues at 15 licensed blocks in the Krasnoyarsk Territory, with appraisal and exploratory wells being constructed and the geological study of subsurface resources in progress.

The Kovyktinskoye and Chikanskoye fields, along with the Khandinsky and Yuzhno-Ust-Kutsky licensed blocks, are being explored in the Irkutsk Region. It is planned to build exploratory wells and conduct 3D surveys at Kovyktinskoye between 2016 and 2018.

In order to ensure stable gas supplies to consumers in the Kamchatka Territory for the long term, the Company intends to carry out geological exploration onshore and offshore the Kamchatka Peninsula before 2026.

Production and gas transmission capacity development

2014 saw the start of commercial gas production from the Kirinskoye field within the Sakhalin III project. Two producing wells are active at the field, with two more to be constructed this year. The development project for the Yuzhno-Kirinskoye field has been prepared; pre-development facilities are being designed.

Producing gas wells are being built at the Chayandinskoye field. There are plans to increase the number of active drilling rigs from 8 to 13. Design documentation has been approved for the pre-development facilities of the oil rim, including the Chayanda – ESPO oil pipeline. Oil wells are still in the process of pilot operation.

In the Kamchatka Territory, preparations are being made for building three additional producing wells at the Kshukskoye field, with a booster compressor station under design.

In September 2014, the construction of the Power of Siberia gas trunkline started. Construction and installation is currently underway at the Chayanda – Lensk – Olyokminsk section. As of today, over 115 kilometers of the gas main’s linear part have been built, with 400 more kilometers scheduled to be built in 2016.

In December 2015, Gazprom and CNPC signed the Agreement to design and construct a cross-border section of the Power of Siberia gas pipeline, including a submerged crossing under the Amur River.

Hydrocarbon feedstock processing

The construction of the Amur gas processing plant (GPP) with an annual design capacity of 42 billion cubic meters began in 2015. The GPP will also produce up to 60 million cubic meters of helium per year.

The Amur GPP is an important link in the supply chain for natural gas to be delivered to China via the eastern route. Thanks to Power of Siberia, the plant will receive multicomponent gas from the Yakutia and Irkutsk gas production centers. The GPP will process gas to extract ethane, propane, butane, pentane-hexane fraction, and helium, providing the petrochemical and other industries with valuable products. The processed gas will be supplied to China.

Gazprom plans to build a transshipment liquefied petroleum gas (LPG) terminal and a helium logistics center in Russia’s Far East with a view to bring LPG and helium produced at the Amur GPP to the global market.

Natural gas deliveries to Asia-Pacific under Eastern Gas Program

Asia-Pacific is among the world’s most promising regions in terms of natural gas consumption. Due to limited domestic production potential and rapid gas infrastructure development in the region, Asia-Pacific is expected to show a high rate of growth in pipeline gas and LNG imports in the long term.

Gazprom is actively implementing projects for pipeline deliveries to China, the fastest-growing and potentially largest gas market in the region. The project for Russian gas supplies via the eastern route (Power of Siberia) is running on schedule. The terms of supply via the western route (Power of Siberia 2) are currently being negotiated.

In September 2015, Gazprom and CNPC inked the Memorandum of Understanding on pipeline deliveries from the Russian Far East to China.

Asia-Pacific is a traditional LNG market for Gazprom Group: between 2005 and 2015, over 75 per cent of the Group’s LNG was shipped to this region. In 2015, the Company supplied 2.9 million tons of LNG to Asia-Pacific, representing an increase of 42 per cent over 2014.

Gazprom pays considerable attention to the development of its LNG trading portfolio.

Early 2015 saw the conclusion of a long-term contract for annual delivery of 2.9 million tons of LNG produced within the Yamal LNG project, based on the Term Sheet signed in 2014.

In addition, Gazprom Marketing & Trading Singapore and Pavilion Gas (Singapore) signed a 10-year sales and purchase agreement for the supply of Gazprom Group's LNG to the Singaporean company.

Gazprom is also implementing its own LNG projects oriented toward the Asia-Pacific markets. The Company's priority is to expand its trade by constructing the third production train of the LNG plant within the Sakhalin II project.

Sakhalin II project

In 2015, the Sakhalin II project produced 17.2 billion cubic meters of gas and 5.1 million tons of oil and condensate. 10.8 million tons of LNG and 5.2 million tons of Sakhalin Blend oil were shipped. As of May 1, 2016, total production amounted to 5.6 billion cubic meters of gas, 1.8 million tons of oil and condensate, and 3.5 million tons of LNG.

In June 2015, Gazprom and Shell signed the Memorandum to construct the third production train of the LNG plant in Sakhalin.

The construction project for the third production train of the LNG plant in the Prigorodnoye settlement (Sakhalin Island) envisages the construction of a new production train of the LNG plant within the Sakhalin II project, similar to the two existing trains (annual capacity of up to 5.4 million tons of LNG), an additional LNG storage facility, and port facilities, as well as the expansion of compressor capacities of the trunkline running from the Onshore Processing Facility in the northern part of the island.

The project has a number of advantages due to the proximity to the Asia-Pacific markets, the available infrastructure, and Sakhalin Energy's image as a reliable supplier of energy resources from two production trains of the LNG plant in Sakhalin.

In December 2015, Sakhalin Energy, operator of the Sakhalin II project, started to develop the project documentation. Pursuant to the Memorandum, Gazprom Group will provide additional gas from the Sakhalin III project to ensure the new production train is fully loaded.

Projects in Vietnam

At present, Gazprom and PetroVietnam cooperate in the following main areas:

- hydrocarbon prospecting, exploration and development projects;
- NGV and power generation projects.